

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

CHILD TRENDS, INCORPORATED et al.,

Plaintiffs,

v.

UNITED STATES DEPARTMENT OF
EDUCATION et al.,

Defendants.

Case No. 8:25-cv-01154-BAH

**DECLARATION OF M. CHRISTINE DWYER IN SUPPORT OF
PETITION FOR ATTORNEYS' FEES**

I, M. Christine Dwyer, declare as follows:

1. I am Senior Vice President at RMC Research Corporation (RMC), and I have been with RMC for 40 years. The statements made in this declaration are based on my personal knowledge and my understanding of information made available to me pursuant to my duties at RMC.

2. RMC is a small business that specializes in education research and evaluation for policy development and implementation and capacity-building and technical assistance for state education agencies.

3. At the time this action was filed, RMC had 55 employees.

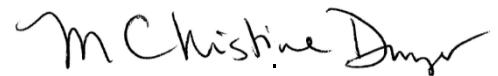
4. At the time this action was filed, RMC's net worth did not exceed \$7,000,000.

Attached to this declaration as Exhibit A is a true and correct copy of our Audited Financials. That document reflects that RMC's net worth on December 31, 2024 was (\$1,438,940). This represents \$5,410,103.00 in assets and \$6,849,043.00 in liabilities.

5. RMC's net worth has remained relatively stable since December 31. The Balance Sheet attached as Exhibit B shows RMC's net worth as (\$1,582,782.48) as of April 7, 2025, which reflects \$4,314,728 in total assets and \$5,897,510 in total liabilities.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 12th day of November, 2025



M. Christine Dwyer
Senior Vice President
RMC Research Corporation

EXHIBIT A

RMC RESEARCH CORPORATION
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

RMC Research Corporation

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Independent Auditors' Report

Board of Directors
RMC Research Corporation
 Arlington, Virginia

Opinion

We have audited the accompanying financial statements of **RMC Research Corporation** (an S Corporation), which comprise the Balance Sheets as of December 31, 2024 and 2023, and the related Statements of Income, Stockholders' Deficit and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **RMC Research Corporation** as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **RMC Research Corporation** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **RMC Research Corporation's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **RMC Research Corporation's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **RMC Research Corporation's** ability to continue as a going concern for a reasonable period of time.

Independent Auditors' Report (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2025, on our consideration of RMC Research Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RMC Research Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RMC Research Corporation's internal control over financial reporting and compliance.

Aprio, LLP

Rockville, Maryland
September 25, 2025

<i>December 31,</i>	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,374,116	\$ 1,190,484
Receivables and contract assets, net	2,050,958	2,128,131
Prepaid expenses and other current assets	102,930	123,419
Total current assets	3,528,004	3,442,034
Property and equipment, net	57,114	43,402
Other assets		
Deposits and other assets	221,899	288,497
Right-of-use assets - operating	1,603,086	1,842,728
Total other assets	1,824,985	2,131,225
Total assets	\$ 5,410,103	\$ 5,616,661

RMC Research Corporation**Balance Sheets**

	2024	2023
Liabilities and Stockholders' Deficit		
Current liabilities		
Note payable - stockholder	\$ 25,144	\$ 24,679
Accounts payable and accrued expenses	33,598	258,042
Accrued salaries and related liabilities	677,712	664,754
Contract liabilities	1,087,899	460,709
Operating lease liabilities, current	530,362	461,928
Total current liabilities	2,354,715	1,870,112
Long term liabilities, net of current portion		
Note payable - stockholder	3,262,065	3,287,209
Operating lease liabilities	1,232,263	1,500,797
Total long term liabilities, net of current portion	4,494,328	4,788,006
Total liabilities	6,849,043	6,658,118
Commitments and contingencies		
Stockholders' deficit		
Common stock - \$.01 par value, 100,000 shares authorized, 700 shares issued and outstanding	7	7
Accumulated deficit	(1,438,947)	(1,041,464)
Total stockholders' deficit	(1,438,940)	(1,041,457)
Total liabilities and stockholders' deficit	\$ 5,410,103	\$ 5,616,661

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RMC Research Corporation**Statements of Income**

<i>Years Ended December 31,</i>	2024	2023
Contract revenue	\$ 12,203,141	\$ 13,228,189
Direct contract costs	6,472,939	7,003,221
Gross margin on revenue	5,730,202	6,224,968
Indirect costs	5,518,800	5,562,126
Income from operations	211,402	662,842
Other (expense) income		
Interest income	4,893	3,510
Interest expense	(63,870)	(64,871)
Total other expense	(58,977)	(61,361)
Net income	\$ 152,425	\$ 601,481

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RMC Research Corporation**Statements of Stockholders' Deficit**

	Common stock	Accumulated deficit	Total
Balance, January 1, 2023			
EXHIBIT A Audit	\$ 7	\$ (1,336,995)	\$ (1,336,988)
Distributions	-	(305,950)	(305,950)
<u>Net income</u>	-	601,481	601,481
Balance, December 31, 2023	7	(1,041,464)	(1,041,457)
Distributions	-	(549,908)	(549,908)
<u>Net income</u>	-	152,425	152,425
Balance, December 31, 2024	\$ 7	\$ (1,438,947)	\$ (1,438,940)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RMC Research Corporation**Statements of Cash Flows**

<i>Years Ended December 31,</i>	2024	2023
Cash flows from operating activities		
Net income	\$ 152,425	\$ 601,481
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	12,344	10,867
(Increase) decrease in		
Receivables and contract assets	77,173	(339,468)
Prepaid expenses and other current assets	20,489	71,658
Deposits and other assets	66,598	(46,363)
Right-of-use assets - operating	495,254	966,103
Increase (decrease) in		
Accounts payable and accrued expenses	(224,444)	(17,389)
Accrued salaries and related liabilities	12,958	(11,977)
Contract liabilities	627,190	(41,340)
Operating lease liabilities	(455,712)	(954,839)
Net cash provided by operating activities	784,275	238,733
Cash flows from investing activities		
Purchases of property and equipment	(26,056)	(17,909)
Cash flows from financing activities		
Payments on finance lease obligations	-	(2,248)
Repayments on note payable - stockholder	(24,679)	(24,222)
Distributions	(549,908)	(305,950)
Net cash used by financing activities	(574,587)	(332,420)
Net change in cash and cash equivalents	183,632	(111,596)
Cash and cash equivalents at beginning of year	1,190,484	1,302,080
Cash and cash equivalents at end of year	\$ 1,374,116	\$ 1,190,484

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RMC Research Corporation**Statements of Cash Flows (continued)**

<i>Years Ended December 31,</i>	2024	2023
Supplemental information:		
Interest paid	\$ 63,870	\$ 64,871
Non-cash investing and financing activities:		
Recognition of right-of-use assets	\$ 255,612	\$ 1,345,231
Recognition of operating lease liabilities	\$ 255,612	\$ 1,345,231

The accompanying Notes to Financial Statements are an integral part of these financial statements.

RMC Research Corporation

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: RMC Research Corporation (the “Company”) is headquartered in Portsmouth, New Hampshire and was incorporated under the laws of Maryland in 1970. The Company provides research, consulting, evaluations, training, and other support services on a contractual basis, mainly in the areas of education, health care, and human services.

Basis of accounting: The financial statements of the Company have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of accounting estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Recognition of revenue and profit over time as performance obligations are satisfied for long-term fixed price contracts is highly judgmental as it requires the Company to prepare estimates of total contract revenue and total contract costs, including costs to complete in-process contracts, as well as variable consideration. These estimates are dependent upon a number of factors, including the accuracy of estimates made at the balance sheet date, such as progress measured against the Company’s performance obligations, the achievement of milestones, penalty provisions, labor productivity and cost estimates. Although management believes that the estimates they use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results in future periods could differ from those estimates.

Revenue recognition: The Company disaggregates revenue from customers, all of which is earned over-time, into categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. Those categories are customer type and contract mix.

The Company’s major customers, as a prime and subcontractor to commercial customers, are U.S. Federal Government departments and agencies. Annually, the United States Congress creates a congressional budget, and the House of Representatives and Senate Appropriation subcommittees authorize spending to different agencies and programs. These authorizations often cover multiple years. The federal government’s fiscal year runs from October 1 of one year to September 30 of the next. The Company’s contracts with customers are sourced from authorized spending initiatives and are subject to the annual congressional budget. The Company attributes revenue generated as a subcontractor to a commercial company as government revenue when the ultimate customer is a government agency or department.

RMC Research Corporation

Notes to Financial Statements

Disaggregation by contract mix provides insight in terms of the degree of performance risk that the Company has assumed. The following represents the Company's contract mix:

Fixed-price ("FP") contracts include lump-sum contracts. Under lump-sum contracts, the Company performs all of the work under the contract for a specified fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. FP contracts are considered to provide the highest amount of performance risk as the Company is required to deliver a scope of work or level of effort for a negotiated fixed price. The percentage of contract revenue realized from FP contracts for the years ended December 31, 2024 and 2023 was 40% and 38%, respectively.

Time-and-materials ("T&M") contracts require the Company to provide skilled employees on contracts for negotiated fixed hourly rates. The Company negotiates hourly billing rates and charges customers based on the actual time expended on projects. In addition, customers reimburse the Company for materials and other direct incidental expenditures incurred in connection with performance under the contract. Since the Company is tasked with providing skilled employees only, it considers these contracts to be less risky than a fixed-price agreement. The percentage of contract revenue realized from T&M contracts for the years ended December 31, 2024 and 2023 was 5% and 4%.

Cost-reimbursable ("CR") contracts include cost-plus-fixed-fee ("CPFF") contracts in which the Company charges customers for costs, including direct and indirect costs, plus a negotiated fee or rate. The Company recognizes revenue based on actual direct costs incurred, an allocation of actual indirect costs, and the applicable fixed rate or portion of the fixed fee earned as of the balance sheet date. CR contracts are considered to provide the lowest amount of performance risk since the Company is generally reimbursed for all contract costs incurred in performance of contract deliverables with only the amount of fixed fees dependent on the achievement of negotiated performance requirements. The percentage of contract revenue realized from CR contracts for the years ended December 31, 2024 and 2023 was 55% and 58%, respectively.

For the years ended December 31, 2024 and 2023, \$28,897 and \$156,670, respectively, of revenue was recognized from commercial customers.

RMC Research Corporation**Notes to Financial Statements**

The Company accounts for a contract when the parties have approved the contract and are committed to perform on it, the rights of each party and the payment terms are identified, the contract has commercial substance, and collection of substantially all of the consideration is probable. The Company evaluates whether two or more agreements should be accounted for as one single contract and whether combined or single agreements should be accounted for as more than one performance obligation. For most contracts, the customer requires the Company to perform a number of highly interrelated tasks or a series of distinct services performed over time in providing an integrated output for which the customer has contracted, and, hence, contracts of this type are tracked as having only one performance obligation since a substantial part of the Company's promise is to ensure the individual tasks are incorporated into a combined output in accordance with contract requirements. This evaluation requires professional judgment and may impact the timing and pattern of revenue recognition. If multiple performance obligations are identified, the Company allocates the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised services underlying each performance obligation. The Company generally provides customized solutions in which the pricing is based on specific negotiations with each customer, and, in these cases, the Company uses a cost-plus margin approach to estimate the standalone selling price of each performance obligation.

Contracts are often modified to reflect changes in contract specifications and requirements, and these changes may create new enforceable rights and obligations. Most modifications are for services that are not distinct from the existing agreement due to the significant integration service that the Company provides and are therefore accounted for as part of an existing performance obligation. The effect of these modifications on transaction price, and the Company's measure of progress in fulfilling the performance obligation to which they relate, are recognized as an adjustment to revenue on a cumulative catch-up basis. Revenue from modifications that create new, distinct performance obligations is recognized based on the Company's progress in fulfilling the requirements of the new obligation.

The Company's contracts frequently provide customers an option for entering into another phase, task, or similar, under the same terms and conditions as the original contract. Once the option is exercised and the contract is amended, the options typically do not provide the customer any material rights under the contract and therefore are treated like separate contracts when they include distinct goods or services at standalone selling prices.

RMC Research Corporation

Notes to Financial Statements

The Company recognize revenue over time throughout the performance period as the customer simultaneously receives and consumes the benefits provided and there is a continuous transfer of control. This continuous transfer of control for U.S. Federal Government contracts is supported by the unilateral right of the customer to terminate the contract for a variety of reasons without having to provide justification for its decision and pay for costs incurred plus a reasonable profit and take control of any work-in-process. Similarly, for commercial contracts, the customer typically controls the work-in-process as evidenced by rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternate use to the Company. For services-type revenue arrangements in which there are a repetitive amount of services that are substantially the same from one month to the next, the Company applies the series guidance.

The Company uses a variety of input and output methods that approximate the progress towards complete satisfaction of the performance obligation, including: costs incurred, labor hours expended, and time-elapsed measures for fixed-price stand ready obligations. For certain contracts, primarily CR and T&M services-type revenue arrangements, the Company applies the right-to-invoice practical expedient in which revenue is recognized in direct proportion to the present right to consideration for progress towards the complete satisfaction of the performance obligation. In some FP service contracts, the Company performs services on a recurring nature, such as maintenance and other services of a "stand ready" nature. For these contracts, the Company has the right to consideration in an amount that corresponds directly with the value that the customer has received. The Company recognizes revenue on a time elapsed basis, ratably over the service period, to reflect the transfer of control to the customer throughout the contract. Under the typical payment terms of these service contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms.

RMC Research Corporation**Notes to Financial Statements**

When a performance obligation has a significant degree of interrelation or interdependence between one month's deliverables and the next, when there is a significant rate differential, when delivery of a service is for a fixed price and does not apply a time elapsed method, or when there is a significant degree of customization or modification, the Company generally records revenue using a cost-to-cost input method based on the ratio of costs incurred to date to total estimated costs at completion. Changes to total estimated contract cost to complete are recognized in the period in which they are determined and are made on a cumulative catch-up basis, which causes the effect of revised estimates for prior periods to be recognized in the current period. A significant change in one or more estimates could affect the profitability of one or more of the Company's performance obligations. When estimates of total costs to be incurred on a contract exceed total revenue, a provision for the entire loss on the contract is recorded in the period in which the loss is determined by recording additional direct costs.

In the course of providing its services, the Company routinely subcontracts for services and incurs other direct costs on behalf of its customers. These costs are passed through to customers and, in accordance with U.S. GAAP, are included in the Company's revenue and cost of revenue. The Company evaluates contractual arrangements to determine whether revenue should be recognized on a gross versus net basis. The Company's assessment is based on the nature of the promise to the customer. In most cases, the Company itself agrees to provide specified services to the customer as a principal and revenue is recognized on a gross basis.

When determining the total transaction price, the Company identifies both fixed and variable consideration elements within the contract. Variable consideration includes any amount within the transaction price that is not fixed, such as: performance penalties; liquidated damages; unfunded contract value; rate differentials; equitable adjustments; or other provisions that can either increase or decrease the transaction price. Variable consideration is estimated based on the most likely amount or using the expected value (i.e., the sum of a probability-weighted amount), whichever is expected to better predict the amount. Throughout the performance period, the Company recognizes as revenue a constrained amount of variable consideration only to the extent that it is probable that a significant reversal of the cumulative amount recognized to date will not be required in a subsequent period. Estimates of variable consideration are periodically adjusted based on significant changes in relevant facts and circumstances.

RMC Research Corporation**Notes to Financial Statements**

Contracts with the U.S. Federal Government are generally subject to the Federal Acquisition Regulation ("FAR") and are competitively priced based on estimated costs of providing the contractual goods or services. The FAR provides guidance on types of costs that are allowable in establishing prices for goods and services provided to the U.S. Federal Government and its agencies. Each contract is competitively priced and bid separately. Pricing for commercial customers is based on specific negotiations with each customer. The Company excludes any taxes collected or imposed when determining the transaction price.

Long-term contracts typically contain billing terms that provide for invoicing monthly. Exceptions to monthly billing terms are to ensure that the Company performs satisfactorily rather than representing a significant financing component. The Company does not assess whether a contract contains a significant financing component if the Company expects, at contract inception, that the period between payment by the customer and the transfer of promised services to the customer will be one year or less.

Contract costs: Contract fulfillment costs generally include direct costs such as compensation expenses for contract personnel and other direct expenses incurred to complete contracts, including costs of materials and subcontract efforts and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred. The Company does not incur significant incremental costs to acquire contracts.

Cash and cash equivalents: For purposes of financial statement presentation, the Company considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. The Company maintains its cash balance at one commercial bank. The balance can exceed the Federal Deposit Insurance Corporation ("FDIC") insured deposit limit of \$250,000 per financial institution. At December 31, 2024 and 2023, the Company's cash balances held at the commercial bank exceeded the FDIC limit by approximately \$1,122,000 and \$951,000, respectively. The Company has not experienced any losses through the date when the financial statements were available to be issued.

RMC Research Corporation

Notes to Financial Statements

Receivables, contract assets and contract liabilities: Billed accounts receivable are recorded at invoiced amounts in accordance with the terms of customer contracts, are granted on an unsecured basis, and are typically considered past due if an invoice has been outstanding beyond sixty days of a customer's receipt. The Company does not typically charge interest on billed accounts receivable.

The Company assesses the adequacy of an allowance for credit losses at inception of a receivable, and periodically, based on expected loss over the life of a receivable by analyzing reasonable available information including customer and contract type, historical write-offs, aging and delinquency trends, industry and customer forecasts, economic status of customers, and other general and contract specific factors. Upon determination that a specific receivable is uncollectible, the receivable is written off against the allowance for credit losses reserve. At December 31, 2024 and 2023, the Company has recorded an allowance for credit losses of \$20,000.

Contract assets includes unbilled receivables resulting from revenue recognized on long-term contracts when the amount of revenue recognized exceeds the amounts billed, accounts billed after the balance sheet date based on the terms of customer contracts, and indirect rate variances. Contract assets are reported in a net position on a contract by contract basis. The balance of receivables and contract assets at January 1, 2023 was \$1,788,663.

Contract liabilities consist of advance payments received, amounts billed to customers in excess of revenue recognized on long-term contracts, and indirect rate variances ("provision for overapplied rates"). Contract liabilities are reported in a net position on a contract by contract basis. The balance of contract liabilities at January 1, 2023 was \$502,049.

RMC Research Corporation

Notes to Financial Statements

The Company utilizes the indirect cost rate method of determining what proportion of indirect costs each contract should bear. This is represented as a ratio between the total indirect expenses and a direct cost base. The Company classifies expenses into three categories: direct contract costs; overhead expenses; and general and administrative expenses. Throughout the year, the Company invoices customers utilizing a provisional indirect rate. Indirect rate variances represent the difference between actual indirect rates calculated on an annual basis and the amounts invoiced and require final approval through an incurred cost claim to settle a contract. Differences fluctuate on an annual basis. Contract assets ("unbilled receivables") result when actual indirect rates are in excess of the amounts invoiced and contract liabilities ("provision for overapplied rates") result when amounts invoiced are in excess of actual indirect rates. Incurred cost claims are due on an annual basis six months after completion of the Company's fiscal year-end and may be selected for audit by the Company's cognizant audit agency. Prior to 2012, all incurred costs claims were audited, but due to public pressure and Congressional demands, the government developed a plan to alleviate workflow and make audit selections based on risk. Incurred cost claims accumulate until settled and are recordable on the Company's cost-reimbursable and time-and-materials contracts and could be outstanding for several years.

The Company's operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts. Contract-related assets and liabilities are classified as current assets and current liabilities. Management anticipates that substantially all billed receivables will be collected, all unbilled receivables, except indirect rate variances, will be billed and collected, and all contract liabilities, except provision for overapplied rates, will be earned in revenue over the next twelve months.

Property and equipment: Property and equipment are recorded at the original cost and are being depreciated on a straight-line basis over estimated lives of three to seven years. Leasehold improvements are amortized over the life of the assets or the remaining period of the lease, whichever is shorter.

Income taxes: The Company has elected to be treated as an S Corporation for federal income tax purposes whereby the tax attributes of the Company are passed through to and reported on the stockholders' tax returns.

RMC Research Corporation**Notes to Financial Statements**

The Company evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the Company's financial statements. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts that have been recorded, such differences will impact the income tax provision when such determinations are made. If applicable, the Company records interest and penalties as a component of income tax expense. As of December 31, 2024 and 2023 there were no accruals for uncertain tax positions. Tax years from December 31, 2021 through the current year remain open for examination by federal and state tax authorities.

Leases: The Company enters into contractual arrangements primarily for the use of office space and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. These arrangements are or contain a lease when the Company controls the identified underlying asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits or outputs from the use of the asset and the right to direct the use of the asset. Where contracts include both lease and non-lease components, the Company does not typically separate the lease and non-lease components; therefore, accounts for the components as a single lease component. The majority of the Company's leases are operating leases. The Company is not a lessor in any material arrangements. The Company also does not have any material restrictions or covenants in its lease agreements, has no sale-leaseback transactions, land easements or residual value guarantees.

Operating leases are included in right-of-use ("ROU") assets - operating, and in operating lease liabilities which is classified further within current and long-term liabilities. Operating lease expense is recognized on a straight-line basis over the lease term and is recorded primarily in indirect costs on the accompanying Statements of Income.

The Company recognizes operating lease ROU assets and liabilities at the lease commencement date based on the present value of the lease payments over the lease term. Operating lease ROU assets also include any lease payments made at the commencement date and excludes any lease incentives. Operating lease ROU assets and liabilities are recorded using the following assumptions and/or criteria:

- In identifying the future minimum lease payments, the Company does not include variable lease costs. These are recorded as lease expenses in the period in which they are incurred.

RMC Research Corporation**Notes to Financial Statements**

- In identifying future lease payments, the Company does not include payments made under short-term leases, identified as those with an expected term of twelve months or less.
- Lease options to extend or terminate the lease are included in the determination of the lease ROU asset and liability only where it is reasonably certain that the Company will utilize those periods of the lease and incur the related costs.
- In calculating the fair value of the lease liability, the Company made the election to use the risk-free rate for its office leases since the Company's leases do not provide the information with which to determine an implicit rate.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through September 25, 2025, which is the date the financial statements were available to be issued.

2. Receivables and contract assets

The components of receivables and contract assets at December 31 were:

	2024	2023
Billed receivables	\$ 1,498,289	\$ 1,795,889
Unbilled receivables	<u>572,669</u>	<u>352,242</u>
Total	2,070,958	2,148,131
Less: Allowance for credit losses	<u>(20,000)</u>	<u>(20,000)</u>
Total	\$ 2,050,958	\$ 2,128,131

During the year ended December 31, 2024, two contract generated approximately 38% of total revenue representing approximately 20% of total receivables and contract assets at December 31, 2024. During the year ended December 31, 2023, two contract generated approximately 38% of total revenue representing approximately 16% of total receivables and contract assets at December 31, 2023.

RMC Research Corporation**Notes to Financial Statements**

3. Property and equipment Property and equipment consisted of the following at December 31:

	2024	2023
Leasehold improvements	\$ 234,700	\$ 220,684
Office furniture and equipment	922,016	909,977
Software	22,751	22,751
Total	1,179,467	1,153,412
Less: Accumulated depreciation and amortization	(1,122,353)	(1,110,010)
Net	\$ 57,114	\$ 43,402

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$12,344 and \$10,867, respectively.

4. Due from stockholder

The Company has amounts due from a stockholder at December 31, 2024 and 2023, of \$171,870 and \$159,668, respectively, which is included in the accompanying Balance Sheets with deposits and other assets, related to life insurance premiums paid by the Company on the stockholder's behalf. The receivable is collateralized by the cash surrender value and net death benefits of the life insurance policies. These amounts are due to the Company upon cancellation of the insurance policies or the death of the stockholder.

Included in prepaid expenses and other current assets at December 31, 2024 and 2023 in the accompanying Balance Sheets is \$27,000 due from a stockholder provided as an advance with no interest terms. Reimbursement of the amount is expected from the stockholder within one year of the balance sheet date.

RMC Research Corporation

Notes to Financial Statements

5. Note payable - line of credit The Company has a revolving line of credit facility agreement with a bank which expired subsequent to year end on February 28, 2025 and was reinstated on July 22, 2025 with similar terms and a maturity date of July 22, 2026. Under the terms of the agreement, the Company can borrow up to \$500,000, subject to certain borrowing base restrictions, with interest calculated at the 30 Day Secured Overnight Financing Rate ("SOFR") plus 4%, with an interest floor rate of 7.5%. The interest rate at December 31, 2024 and 2023, was 8.5% and 9.375%, respectively. The line is secured by assets of the Company and personally guaranteed by the stockholders of the Company and one stockholder's spouse. The line of credit contains various financial covenants, which includes minimum tangible net worth, and is subject to periodic review by the bank. There is no balance outstanding on the line of credit at December 31, 2024 and 2023.

The line of credit facility allows for the issuance of \$100,000 of letters of credit which reduced the availability on the revolving loan on a dollar for dollar basis. At December 31, 2024 and 2023, no amounts were outstanding on the letter of credit.

RMC Research Corporation**Notes to Financial Statements**

6. Note payable - stockholder Note payable - stockholder consisted of a note payable to a stockholder that is subordinated to the note payable - line of credit (Note 5) and accrues interest at a rate of 2.31% per annum through July 2021 and 1.87% per annum thereafter. Monthly payments, which modify throughout the agreement, originally included principal due in semi-annual payments of \$50,000. The monthly payment amount continuing for August 2021 and going forward is \$7,200 per month. Payments are allocated between interest at the current rate, \$100 on accrued interest, and the remaining amount on outstanding principal. The Company may make additional principal payments as of year-end or at other times the stockholders believe it is prudent. No later than July 1, 2026, or in the first whole month following the death or disability of the stockholder or a "change of control" of the Company, the monthly payments shall change to \$8,334 of principal plus the monthly interest on the outstanding principal and any accrued unpaid interest from prior periods. During the years ended December 31, 2024 and 2023, the Company recorded interest expense under this note of \$63,870 and \$64,871, respectively. At December 31, 2024 and 2023, the balance consisted of:

	2024	2023
Outstanding note payable	\$ 2,585,492	\$ 2,607,771
Accrued interest	<u>701,717</u>	<u>704,117</u>
Total	3,287,209	3,311,888
Less: current portion of note payable and accrued interest	<u>(25,144)</u>	<u>(24,679)</u>
Long-term portion	\$ 3,262,065	\$ 3,287,209

RMC Research Corporation**Notes to Financial Statements**

The following is a schedule of future principal maturities of long-term debt at December 31:

Year Ending December 31	<u>Amount</u>
2025	\$ 25,144
2026	63,353
2027	101,208
2028	101,208
2029	101,208
Thereafter	<u>2,895,088</u>
Total	\$ 3,287,209

7. Operating leases

The majority of the Company's leases are operating leases primarily for the use of office space. Lease balances are as follows at December 31:

	<u>2024</u>	<u>2023</u>
<u>Right-of-use assets - operating</u>	<u>\$ 1,603,086</u>	<u>\$ 1,842,728</u>
Operating lease liabilities, current	\$ 530,362	\$ 461,928
<u>Operating lease liabilities, noncurrent</u>	<u>1,232,263</u>	<u>1,500,797</u>
Total operating lease liabilities	\$ 1,762,625	\$ 1,962,725

The total lease cost is recorded primarily within indirect costs and had the following impact on the Statements of Income for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Operating lease cost</u>	<u>\$ 585,361</u>	<u>\$ 1,030,653</u>
Total lease cost	\$ 585,361	\$ 1,030,653

RMC Research Corporation**Notes to Financial Statements**

The following is a schedule by years of future maturities of lease liabilities required under non-cancelable operating leases as of December 31, 2024.

Year Ending <u>December 31</u>	<u>Total</u>
2025	\$ 589,190
2026	466,092
2027	387,006
2028	357,059
2029	104,343
Total undiscounted lease payments	1,903,690
Less: imputed interest	(141,065)
Total	\$ 1,762,625

The weighted-average remaining lease term as of December 31, 2024 and 2023 was 4 years and the weighted-average discount rate was 3.91% and 3.35%, respectively. Cash paid for operating leases was \$562,551 and \$974,223, during the years ended December 31, 2024 and 2023, respectively.

8. Retirement plan

The Company maintains a 401(k) and profit sharing plan (the "Retirement Plan") for all employees who meet certain eligibility requirements. Participants may make voluntary contributions to the Retirement Plan up to the maximum amount allowable by law, subject to statutory limitations. Under the terms of the Retirement Plan, the Company makes matching contributions of 100% of each employee's contribution up to \$500 of each employee's contribution. The Company may make an additional contribution as determined annually by the Board of Directors. Retirement plan expense for the years ended December 31, 2024 and 2023 was \$60,916 and \$106,579, respectively.

RMC Research Corporation

Notes to Financial Statements

9. Risks and uncertainties

Incurred cost claims: As of December 31, 2024, the Company had negotiated final settlements on indirect cost rates through December 31, 2023. The Company periodically reviews its cost estimates and experience rates, and adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-reimbursable contracts for the open years will not have a material effect on the Company's financial position or results of operations.

The Company operates as a government contractor, receiving the majority of its funding from the federal government in the form of government contracts, and is subject to various political and regulatory risks that may impact its financial performance. Changes in government policies, shifts in budget allocations, procurement delays or the passage of new legislation could adversely affect contract awards, renewals, and funding. Political uncertainty, including changes in administration, regulatory scrutiny, and geopolitical tensions, may influence the timing and execution of government contracts. The Company continuously monitors these risks and engages in risk management to mitigate potential adverse effects on its operations and financial positions.

EXHIBIT B

RMC RESEARCH CORPORATION

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10/08/25

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Balance Sheet

Organization: 1 RMC Research Corporation

As of
04/30/25**Assets****CURRENT ASSETS**

CASH	1,065,468
BILLED RECEIVABLES	1,024,727
UNBILLED RECEIVABLES	698,886
PREPAID EXPENSES	129,393
DEPOSITS	6,197
	<hr/>
	2,924,671

FIXED ASSETS

PROPERTY, PLANT, & EQUIP	1,179,466
LESS: ACCUMULATED DEP	-1,127,049
	<hr/>
	52,417

OTHER ASSETS

DEPOSITS	50,029
CASH SURRENDER VAL INS	159,668
RIGHT-OF-USE ASSETS	1,127,943
	<hr/>
	1,337,640
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	4,314,728
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Liabilities & Equity**CURRENT LIABILITIES**

ACCOUNTS PAYABLE-TRADE	67,629
ACCURRED VACATION	271,179
ACCRUED TAXES	1,631
ACCRUED EXPENSES-OTHER	2,504,534
LOAN PAYABLE-CURRENT	24,695
BILL IN EXCESS OF COSTS	460,709
ACCRUED STATE & FED TAXES	0
DEFF STATE/FED INCOME TAX	0
	<hr/>
	3,330,375

LONG-TERM LIABILITIES

LONG TERM NOTE PAYABLE	2,552,884
CATASTROPHIC SICK LEAVE	14,250
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	2,567,135

STOCKHOLDER'S EQUITY

COMMON STOCK-PAR	7
RETAINED EARNINGS	14,372
YEAR TO DATE INCOME	-544,580
TREASURY STOCK	-72,632
DISTRIBUTIONS	-979,950
	<hr/>
	-1,582,782
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4,314,728
